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Title: China Just Dumped $600 Billion in US Debt - The Exodus Has Begun **Author:** Economy Rewind

The Bond Market Revolt

The bond market is screaming, and if you're not listening, you're about to lose everything. While most Americans were celebrating the holidays, something unprecedented happened in global financial markets: **U.S. Treasury yields spiked** to levels that should be impossible with the Federal Reserve supposedly in control. The 10-year Treasury yield blew past **4.80% in early January 2025**, hitting its highest level in months.

But here's what makes this terrifying: this is happening after the Fed cut interest rates. Think about that—the Fed is cutting rates, trying to make borrowing cheaper, and the market is saying "no thanks" and pushing yields higher anyway. That’s not a healthy market; that’s a **market in revolt**. The reason is simple: the buyers are disappearing. For the first time in modern financial history, foreign central banks—the bedrock buyers of U.S. government debt—are walking away.

The Global Exodus of Foreign Capital

The exodus has already begun, and the data is clear. China's holdings of U.S. Treasuries have collapsed to just **$680 billion**, the lowest level since 2008. They’ve dumped nearly half their holdings, down from a peak of $1.3 trillion just a decade ago. India has slashed its Treasury position to below **$200 billion**, while simultaneously stacking gold at a record pace.

Even traditionally stable buyers like Japan, the Cayman Islands, Saudi Arabia, and Brazil are reducing their exposure. This is happening while the U.S. government needs to borrow nearly **$2 trillion** this fiscal year just to cover the deficit. If foreign buyers are selling and domestic buyers are maxed out, the only buyer left is the Federal Reserve—the money printer of last resort.

A Strategic Milestone: Gold Surpasses Treasuries

We have reached a symbolic and strategic milestone that should be front-page news. For the first time since the 1990s, the **total value of gold held by central banks worldwide exceeds the total value of U.S. Treasury bonds** held in official reserves. Central bankers have collectively decided that gold is a safer store of value than U.S. government debt.

China is leading this charge, converting dollar assets into hard assets. While they officially report adding 225 tons of gold in 2023, independent analysts estimate the real number is closer to **500 to 1,000 tons per year**. They are preparing for a world where gold holds value even when currencies collapse, because gold can't be frozen, sanctioned, or debased.

Europe’s "Nuclear Option"

Europe represents a "nuclear bomb" sitting in the middle of this story. European investors and institutions collectively hold an estimated **$8 trillion in U.S. dollar-denominated assets**. Right now, European leaders are wargaming scenarios behind closed doors about what happens if geopolitical tensions escalate.

They are discussing coordinated selldowns of Treasury holdings and analyzing what happens if Europe weaponizes its $8 trillion in exposure. If the EU were to prohibit new purchases and require a 20% reduction in existing holdings,

the U.S. Treasury market would collapse. Yields would spike to **8% or 10%**, the federal government's interest expense would double, and the deficit would explode.

The Domestic Impact: Housing and Corporate Crises

Rising yields mean rising borrowing costs for everyone. The U.S. government now spends over **$1 trillion per year just on interest payments** on the national debt—more than the entire defense budget. At current yields of 4.5% to 5%, that interest expense is projected to explode to $1.5 trillion annually within the next 12 to 18 months.

This trickles down to the average American immediately:

- **Housing Market:** Mortgage rates track the 10-year Treasury yield. If the 10-year stays high, mortgage rates jump to 8%. At these rates, a $500,000 house costs $3,770 per month compared to $2,100 at 3% interest—a **75% increase in monthly payments**.
- **Corporate Stability:** Companies that were financing operations at 4% are now looking at 8% to 10% for new debt. Highly leveraged companies face a **refinancing crisis**, leading to surging bankruptcies and layoffs.
- **Stock Market:** U.S. equity markets have been propped up by foreign investment. If foreign investors liquidate even 10% of their $6 trillion in U.S. stocks, prices could collapse **30% to 40%**.

The Endgame: A Debt Trap and Currency Debasement

The U.S. is currently in a **debt trap**. As foreign buyers refuse to buy at low rates, yields spike, the interest expense explodes, and the government has to borrow even more to pay the interest. The Fed is then forced to print money to buy the bonds, which triggers massive inflation.

Unlike 2020, this inflation wouldn't be spread globally because the rest of the world is no longer holding dollars. The dollars the Fed prints would stay trapped in the United States, meaning all that currency debasement hits American consumers directly. Groceries, gas, rent, and healthcare could **double or triple in price** within 18 months. This is the slow-motion collapse of the dollar's reserve status.

Protecting Your Wealth in a Post-Dollar World

Transitions in reserve currency status are historically violent and devastating for the old power. When Britain lost reserve status, it took less than a decade for the pound to collapse, leading to 30 years of economic stagnation. To survive, you must understand that dollar-denominated paper assets—stocks, bonds, and cash—are all at risk.

The only assets positioned to thrive are **hard assets** that cannot be printed. Gold and silver are the most obvious choices, as they cannot be frozen or sanctioned. Bitcoin is also increasingly treated as "digital gold," a scarce asset that central banks cannot print. The goal is preservation; if the dollar loses 30% to 50% of its purchasing power, hard assets will at minimum preserve what you have. Pay attention to what central banks are doing, not what politicians are saying. They are voting with their wallets to exit the dollar system, and you should be prepared to do the same.

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